

NOTICE

There Should Be No Release
of This Document Until
12 Noon (E.S.T.)
Monday, January 31, 1983



**SPECIAL
ANALYSES
BUDGET OF THE
UNITED STATES
GOVERNMENT
FISCAL YEAR 1984**

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

PERSONNEL COMPENSATION AND BENEFITS

Direct compensation of the Federal work force includes base pay, merit pay, cash incentive and performance awards, meritorious and distinguished executive awards, premium pay for overtime, Sunday and holiday pay, differentials for night work and overseas duty, and flight and other hazardous duty pay. Related compensation in the form of personnel benefits consists primarily of the Government's share (as employer) of health insurance, term life insurance, and Federal retirement and old-age survivors' disability and health insurance.

Also included are personnel costs for uniform allowances (when paid in cash), cost-of-living and overseas quarters allowances, and, in the case of military personnel, reenlistment bonuses.

This budget assumes no October 1983 pay increase for Federal white and blue collar workers and military personnel. The final decision on the level of the fiscal year 1984 pay increase will be made in the late summer, as the law provides, after Presidential review of the recommendations of the President's Pay Agent, the Federal Employees Pay Council and the Advisory Committee on Federal Pay, and after a review of the economic conditions prevailing then.

Legislation is proposed in the 1984 Budget to reform certain aspects of the civil service retirement system:

- *Annuity adjustment for retirement prior to age 65.*—To be phased in over a period of 10 years; employees age 55 or over at enactment would not be affected.
- *Cost-of-living adjustments (COLA).*—The cost-of-living adjustment would be eliminated for 1984. Further, current law limits COLA adjustments to one half of the CPI (for retirees under age 62) through 1985. This change would be made permanent.
- *Increased employee deductions for retirement.*—Employee retirement deductions would increase from 7 to 9% in 1984, and to 11% in 1985.
- *Increased employer contributions for retirement.*—Employer contributions for retirement would also increase to match the increase in employee deductions described above. This would include the U.S. Postal Service and the District of Columbia government.
- *Annuity calculations to be based on the highest 5 years of earnings.*—The current calculation base is the highest 3 years; employees within 3 years of retirement eligibility would not be affected.
- *Modify replacement rates.*—Currently, a formula is used that determines the percentage of salary that is replaced by retirement benefits. For example, the replacement rate is now

ND BENEFITS

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56.25% of the final 3 years' salary for 30 years of service. This proposal would alter this formula to reduce the replacement rate, if necessary, in conjunction with other proposals, to reduce the normal cost of the system to 22% of payroll and enable employee contributions to be limited to 11% of salary. Additional details concerning these proposals may be found in Part 5 of the 1984 Budget of the United States.

As indicated in table I-3, obligations for civilian personnel compensation and benefits in 1984 are projected to reach \$65 billion, excluding the Postal Service.

Table I-3. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	1982 actual	1983 estimate	1984 estimate
Civilian personnel costs:			
Executive branch: ¹			
Direct compensation.....	49,624	52,417	53,094
Personnel benefits ²	9,265	10,428	10,790
DOD-Military functions, civilian personnel:			
Direct compensation.....	(21,846)	(22,720)	(23,299)
Personnel benefits.....	(2,281)	(2,659)	(3,277)
Subtotal.....	58,889	62,845	62,935
Legislative and judiciary: ³			
Direct compensation.....	912	990	1,027
Personnel benefits ³	91	111	118
Subtotal.....	1,003	1,101	1,145
Total, civilian personnel costs.....	59,892	63,946	65,029
Military personnel costs: ⁵			
Direct compensation.....	37,020	39,311	40,712
Personnel benefits ⁶	3,007	3,238	3,591
Total, military pay costs.....	40,027	42,549	44,303
Grand total, personnel costs.....	99,919	106,495	109,332

¹ Excludes the Postal Service, reflecting conversion to independent status, consistent with the Postal Service Reorganization Act of 1970.
² In addition to the employing agency's contributions for the costs of life and health insurance, retirement, and effective in calendar year 1983 Medicare Hospital Insurance, this amount includes transfers from general revenues to amortize the effects of general pay increases on Federal retirement systems, for employees in the legislative and judicial branches as well as employees (nonpostal) in the executive branch. The transfers amounted to \$3,600 million in 1982 and are estimated to be \$3,941 million in 1983 and \$3,938 million in 1984.
³ Excludes members and officers of Congress.
⁴ Excludes reserve components.
⁵ Excludes payments to current military retirees which amounted to \$14,941 million in 1982 and are estimated to be \$16,165 million in 1983 and \$16,806 million in 1984.